

Digimarc Corporation
Consolidated Income Statement Information
(in thousands, except per share amounts)
(Unaudited)

	Three Month Information		Nine Month Information	
	September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
Revenue:				
Service	\$ 3,932	\$ 3,352	\$ 11,507	\$ 10,982
Subscription	2,485	2,399	7,888	7,455
Total revenue	6,417	5,751	19,395	18,437
Cost of revenue:				
Service	1,630	1,406	4,715	4,691
Subscription	567	522	1,892	1,548
Total cost of revenue	2,197	1,928	6,607	6,239
Gross profit:				
Service	2,302	1,946	6,792	6,291
Subscription	1,918	1,877	5,996	5,907
Total gross profit	4,220	3,823	12,788	12,198
Gross profit margin:				
Service	59%	58%	59%	57%
Subscription	77%	78%	76%	79%
Total gross profit margin	66%	66%	66%	66%
Operating expenses:				
Sales and marketing	4,647	4,538	15,865	14,417
Research, development and engineering	4,586	4,662	12,930	13,303
General and administrative	2,943	3,009	15,611	9,457
Total operating expenses	12,176	12,209	44,406	37,177
Operating loss	(7,956)	(8,386)	(31,618)	(24,979)
Other income:				
Gain on extinguishment of note payable	5,094	—	5,094	—
Other income (loss)	(2)	36	26	257
Other income, net	5,092	36	5,120	257
Loss before income taxes	(2,864)	(8,350)	(26,498)	(24,722)
Benefit (provision) for income taxes	(7)	(2)	(17)	1
Net loss	<u>\$ (2,871)</u>	<u>\$ (8,352)</u>	<u>\$ (26,515)</u>	<u>\$ (24,721)</u>
Earnings (loss) per common share:				
Loss per common share - basic	\$ (0.17)	\$ (0.68)	\$ (1.61)	\$ (2.04)
Loss per common share - diluted	\$ (0.17)	\$ (0.68)	\$ (1.61)	\$ (2.04)
Weighted average common shares outstanding - basic	16,520	12,241	16,428	12,129
Weighted average common shares outstanding - diluted	16,520	12,241	16,428	12,129

Digimarc Corporation
Consolidated Balance Sheet Information
(in thousands)
(Unaudited)

	September 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents ⁽¹⁾	\$ 25,155	\$ 19,696
Marketable securities ⁽¹⁾	19,037	58,032
Trade accounts receivable, net	4,110	3,907
Other current assets	2,550	2,197
Total current assets	50,852	83,832
Marketable securities ⁽¹⁾	8,298	—
Property and equipment, net	2,962	3,272
Intangibles, net	6,614	6,612
Goodwill	1,114	1,114
Other assets	2,112	2,198
Total assets	\$ 71,952	\$ 97,028
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and other accrued liabilities	\$ 4,236	\$ 2,827
Deferred revenue	2,146	3,002
Note payable, current	—	3,947
Total current liabilities	6,382	9,776
Lease liability and other long-term liabilities	2,685	2,295
Note payable, long-term	—	1,118
Total liabilities	9,067	13,189
Commitments and contingencies		
Shareholders' equity:		
Preferred stock	50	50
Common stock	17	17
Additional paid-in capital	260,585	255,024
Accumulated deficit	(197,767)	(171,252)
Total shareholders' equity	62,885	83,839
Total liabilities and shareholders' equity	\$ 71,952	\$ 97,028

(1) Aggregate cash, cash equivalents, short- and long-term marketable securities was \$52,490 and \$77,728 at September 30, 2021 and December 31, 2020, respectively.

Digimarc Corporation
Consolidated Cash Flow Information
(in thousands)
(Unaudited)

	Nine Month Information	
	September 30, 2021	September 30, 2020
Cash flows from operating activities:		
Net loss	\$ (26,515)	\$ (24,721)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, amortization and write-off of property and equipment	1,051	1,112
Amortization and write-off of intangibles	525	612
Amortization of right of use assets under operating leases	364	352
Amortization of net premiums and (discounts) on marketable securities	605	(39)
Gain on extinguishment of note payable	(5,032)	—
Stock-based compensation	10,348	7,149
Changes in operating assets and liabilities:		
Trade accounts receivable	(427)	999
Other current assets	(353)	60
Other assets	(54)	(45)
Accounts payable and other accrued liabilities	1,630	146
Deferred revenue	(847)	(1,092)
Lease liability and other long-term liabilities	242	236
Net cash used in operating activities	(18,463)	(15,231)
Cash flows from investing activities:		
Purchase of property and equipment	(797)	(694)
Capitalized patent costs	(475)	(478)
Maturities of marketable securities	72,141	30,598
Purchases of marketable securities	(42,049)	(22,149)
Net cash provided by investing activities	28,820	7,277
Cash flows from financing activities:		
Issuance of common stock, net of issuance costs	—	38,603
Proceeds from note payable	—	5,032
Exercise of stock options	—	135
Purchase of common stock	(4,898)	(1,568)
Net cash provided by (used in) financing activities	(4,898)	42,202
Net increase in cash and cash equivalents ⁽²⁾	\$ 5,459	\$ 34,248
Cash, cash equivalents and marketable securities at beginning of period	77,728	36,817
Cash, cash equivalents and marketable securities at end of period	52,490	62,655
(2) Net increase (decrease) in cash, cash equivalents and marketable securities	\$ (25,238)	\$ 25,838